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of the State of California
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5 Attorneys for Complainant
6

7 **BEFORE THE**
8 **BOARD OF ACCOUNTANCY**
9 **DEPARTMENT OF CONSUMER AFFAIRS**
STATE OF CALIFORNIA

10 In the Matter of the Accusation)	NO. AC-95-19
Against:)	
11 PRAKASH VARSHNEY,)	STIPULATION IN SETTLEMENT
12 1502 N. Main Street)	OF ACCUSATION AND ORDER
Santa Ana, CA 92701)	
13 9136 McBride River Avenue,)	
14 Fountain Valley, CA 92708)	
15 Certificate Number 38312,)	
16 Respondent.)	
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18 Respondent, PRAKASH VARSHNEY, and the California Board
19 of Accountancy (hereinafter referred to as "the Board") through
20 its counsel, Deputy Attorney General Michael A. Shekey, do hereby
21 enter into the following Stipulation:

22 1. Respondent PRAKASH VARSHNEY (hereinafter referred
23 to as "the Respondent") hereby acknowledges receipt of Accusation
24 AC-95-19 (attached hereto as "Exhibit A"), a Statement to
25 Respondent, Request for Discovery, excerpts of California
26 Government Code, sections 11507.5, 11507.6 and 11507.7, and a
27 Notice of Defense.

1 2. On or about April 4, 1996, Accusation AC-95-19 was
2 served on Respondent on behalf of Carol B. Sigmann, Executive
3 Officer of the California Board of Accountancy.

4 3. Respondent has fully considered the charges and
5 allegations contained in Accusation AC-95-19 on file with the
6 Board and Respondent has been fully advised with regard to his
7 rights in this matter.

8 4. Respondent is fully aware of the right to a hearing
9 on the charges and allegations contained within said Accusation
10 AC-95-19, his right to reconsideration, appeal, and all other
11 rights which may be accorded pursuant to the California
12 Administrative Procedure Act and the laws of the State of
13 California.

14 5. Respondent hereby freely and voluntarily waives his
15 right to a hearing, reconsideration, appeal, and any and all
16 other rights which may be accorded by the California
17 Administrative Procedure Act and the laws of the State of
18 California with regard to Accusation AC-95-19.

19 6. Respondent has been and is represented in this
20 matter, with respect to the subject Stipulation, by his counsel,
21 Sunil A. Brahmbhatt.

22 7. The parties hereto agree that the Stipulation
23 recited herein shall be null and void and not binding upon the
24 parties unless and until approved by the Board.

25 8. This Stipulation is made for the purpose of
26 settling Accusation AC-95-19. It is only for the purpose of this
27 proceeding and any subsequent proceeding between the Board and

1 Respondent, or any action taken by or before any governmental
2 body responsible for licensing accountants.

3 9. Respondent admits that should the allegations as
4 contained within subject Accusation be proven at an
5 administrative hearing, he and his license would be subject to
6 appropriate discipline, including revocation.

7 10. Respondent admits that grounds exist to discipline
8 his license under California Business and Professions Code,
9 sections 5037(b), 5100(c), and under Title 16, California Code of
10 Regulations, sections 60 and 68, as related to the conduct
11 alleged within the subject Accusation.

12 11. Respondent acknowledges the Board's decision to
13 temporarily waive its investigative cost and attorney's fees that
14 were expended in the prosecution of this matter, and agrees that
15 should he seek a reissuance of his accountancy license in the
16 future, reimbursement of all related costs would be a
17 prerequisite to said reissuance.

18 12. Based on the admissions and waivers set forth in
19 this Stipulation, Respondent agrees that the Board may issue the
20 following order:

21 ORDER

22 Respondent agrees to the revocation of his Certificate
23 Number 38312, previously issued to him on or about July 29, 1983.

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27 ///

SUBMISSION OF STIPULATION

I have read and reviewed the terms and conditions of the Stipulation and Order set forth above. I understand that this is an offer in settlement made to the Board, and will not be effective unless and until the Board formally adopts said Stipulation as its Decision in this matter. I expressly acknowledge that if adopted, my Certificate Number 38312 will be revoked forthwith. I also expressly acknowledge that should I seek re-issuance of Certificate Number 38312 in the future, that I will be responsible for reimbursement of all investigative costs and attorney's fees incurred by the Board as a result of prosecution in this matter. I voluntarily enter into the instant Stipulation and agree to be bound by the terms of the Order indicated therein.

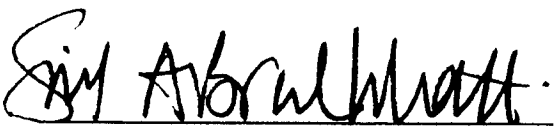
DATED: 5-29-, 1996.

Sonal Varshney, Attorney
PRAKASH VARSHNEY
Respondent *in fact*

1 ACKNOWLEDGMENT OF SUBMISSION OF STIPULATION


2 On or about April 22, 1996, I submitted on behalf of my
3 client, Prakash Varshney, a Durable Power of Attorney of Prakash
4 C. Varshney, wherein Sarala Varshney was designated and appointed
5 as Prakash C. Varshney's Attorney-in-Fact. Said Durable Power of
6 Attorney had been executed by Prakash C. Varshney on August 22,
7 1995. I represent that as a result of Respondent's current
8 physical and mental state, Sarala Varshney is, for the purposes
9 of entering into this Stipulation, acting as Prakash C.
10 Varshney's Attorney-in-Fact, and as such, is acting on
11 Respondent's behalf in agreeing to this Stipulation and the terms
12 and conditions set forth therein. I have discussed the content
13 of this Stipulation with Sarala Varshney in great detail, and
14 acknowledge her complete understanding of the terms and
15 conditions set forth therein, as they effect and impact upon
16 Prakash C. Varshney and his Certificate Number 38312. I
17 represent that Sarala Varshney, acting on behalf of the
18 Respondent, fully understands all of the terms and conditions set
19 forth within this Stipulation, and agrees by virtue of her
20 signature to this Stipulation, that Prakash C. Varshney will be
21 bound by the terms and conditions set forth therein. A true and
22 correct copy of the subject Durable Power-of-Attorney is attached
23 hereto as Exhibit "B".

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25 DATED: 6/10/96, 1996


SUNIL A. BRAHMBHATT, Esq.
Attorneys for Respondent

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DATED: June 17, 1996.


MICHAEL A. SHEKEY
Deputy Attorney General
Attorneys for Complainant

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ADOPTION AND DECISION

The Stipulation in Settlement of Accusation and Order
in this matter is formally adopted by the California Board of
Accountancy as the Decision in Accusation AC-95-19 against
PRAKASH VARSHNEY, on this 7th day of August, 1996, and
shall become effective on the 7th day of September, 1996.



CALIFORNIA BOARD OF ACCOUNTANCY

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DANIEL E. LUNGREN, Attorney General
of the State of California
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Attorneys for Complainant

BEFORE THE
BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA

In the Matter of the Accusation)	NO. AC-95-19
Against:)	
)	ACCUSATION
PRAKASH VARSHNEY)	
1502 North Main Street)	
Santa Ana, California 92701)	
Certificate No. 38312,)	
Respondent.)	

Complainant, Carol B. Sigmann, as cause for
disciplinary action, alleges:

1. Complainant is the Executive Officer of the
California State Board of Accountancy ("Board") and makes and
files this accusation solely in her official capacity.

LICENSE STATUS

2. On or about July 29, 1983, Certificate No. 38312
was issued by the Board to Prakash Varshney ("Respondent"), and
at all times relevant herein, that Certificate was, and currently
is, in full force and effect.

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STATUTES

3. This accusation is made in reference to the following statutes of the California Business and Professions Code ("Code"):

a. Section 5100 provides that the Board may revoke, suspend or refuse to renew any permit or certificate issued by the Board, or may censure the holder of any such permit or certificate for unprofessional conduct which includes, but is not limited to, one or any combination, of the following:

(c) Dishonesty, fraud, or gross negligence in the practice of public accountancy;

(h) Fiscal dishonesty or breach of fiduciary responsibility of any kind.

b. Section 5107 provides, in part, that the Board may request the Administrative Law Judge, as part of the proposed decision in a disciplinary proceeding, to direct any holder of a permit or certificate found in violation of section 5100 (b), (c), (h), (i), or (j), to pay to the Board all reasonable costs of investigation and prosecution of the case, including, but is not limited to, attorney's fees.

c. Section 5037(b) provides that a licensee shall furnish to his or her client or former client, upon request and reasonable notice:

(1) A copy of the licensee's working papers, to the extent that those working papers include records that would ordinarily constitute part of the client's

1 records and are not otherwise available to the client.

2 (2) Any accounting or other records belonging to,
3 or obtained from or on behalf of, the client which the
4 licensee removed from the client's premises or received
5 for the client's account. The licensee may make and
6 retain copies of documents of the client when they form
7 the basis for work done by him or her.

8 4. This accusation is made in reference to the
9 following regulations of the California Code of Regulations
10 (formerly the California Administrative Code), Title 16:

11 a. Sections 60 provides that a licensee shall not
12 engage in conduct which constitutes fiscal dishonesty or a
13 breach of fiduciary responsibility of any kind.

14 b. Section 68 provides that a licensee, after demand
15 by or on behalf of a client, for books, records or other
16 data, whether in written or machine sensible form, that are
17 the client's records shall not retain such records. It
18 further provides that unpaid fees do not constitute
19 justification for retention of client records.

20 WESTMONT AUDIT

21 5. Respondent Prakash Varshney performed an audit of
22 Westmont Securities Corporation for the year ended December 31,
23 1988. In connection with this audit, Westmont filed a FOCUS
24 Report (Financial Operational Uniform Single Report) with the
25 United States Securities and Exchange Commission (SEC), which
26 included audited financial statements and the auditor's standard
27 report issued by the Respondent. The Respondent additionally

1 issued to Westmont an auditor's report and audited financial
2 statements separate from the FOCUS Report.

3 6. As a result of the conduct described in
4 paragraph 5, Respondent is subject to discipline under Business
5 and Professions Code, Section 5100(c), Gross Negligence, in that
6 his audit of Westmont contained extreme departures from generally
7 accepted auditing standards (GAAS). The departures from GAAS
8 include, but are not limited to, the following:

9 a. The auditor's reports did not contain language
10 that conforms to that required for the auditor's standard
11 report on financial statements of a single year.

12 b. Respondent's working papers for the Westmont audit
13 contain no documentation that the audit was properly planned
14 with respect to assessed levels of control risk, preliminary
15 judgment of materiality levels, financial statement items
16 likely to require adjustment, conditions that may require
17 extension or modification of audit tests, and the
18 organization's accounting policies and procedures.

19 c. Respondent's working papers did not contain
20 evidence of a legal representation letter.

21 d. Respondent's working papers did not contain
22 documentation to substantiate that there was proper study
23 and evaluation of internal control.

24 e. Respondent's working papers did not document
25 adequate substantive testing in that there was no
26 documentation of testing of revenues and expenditures, the
27 confirmation of accounts receivable, and the existence of

1 fixed assets, revenues, and expenses.

2 f. Respondent's working papers fail to document his
3 evaluation of subsequent events that may have occurred after
4 year end, but prior to the issuance of the financial
5 statements and auditor's reports.

6 7. As a result of the conduct described in
7 paragraph 5, Respondent is subject to discipline under Business
8 and Professions Code, Section 5100(c), Gross Negligence, in that
9 the audited financial statements contained extreme departures
10 from generally accepted accounting principles (GAAP). The
11 departures from GAAP include, but are not limited to, the
12 following:

13 a. The audited financial statements did not contain a
14 statement of cash flows.

15 b. The notes to financial statements omit disclosures
16 required by GAAP, such as: the amount of gross unrealized
17 gains and losses on marketable securities; the net
18 unrealized gains and losses included in the determination of
19 net income; the basis on which cost was determined in
20 computing realized gains and losses; separate identification
21 of the asset recorded under capital leases and the related
22 accumulated amortization; and, a general description of the
23 leasing arrangements under operating leases.

24 VASWANI MATTER - INSURANCE CLAIM

25 8. In 1987, Ghanshyam Vaswani retained Respondent to
26 prepare individual and corporate tax returns and to compile
27 financial statements for his store, Kaia Nikitan, Inc. In 1992,

1 respondent helped prepare an insurance claim arising out of the
2 robbery of Mr. Vaswani's store. On March 4, 1992, Respondent
3 sent a letter to State Farm Insurance Company, without either the
4 knowledge or authorization of his client, requesting payment out
5 of Mr. Vaswani's claim (#55-B134-087) to himself in the amount of
6 \$10,755.00 for uncollected accounting fees.

7 9. As a result of the conduct described in
8 paragraph 8, Respondent is subject to discipline under Business
9 and Professions Code, Section 5100(h), Breach of Fiduciary Duty,
10 in that his request to a third party for payment from the
11 proceeds of his client's insurance claim, without his client's
12 knowledge or authorization, constituted a breach of his fiduciary
13 duty.

14 10. As a result of the conduct described in
15 paragraph 8, Respondent is subject to discipline under Title 16,
16 California Code of Regulations, Section 60, Discreditable Acts,
17 in that his request to a third party for payment from the
18 proceeds of his client's insurance claim, without his client's
19 knowledge or authorization, constituted fiscal dishonesty and/or
20 a breach of his fiduciary duty.

21 VASWANI MATTER - RECORDS RETENTION

22 11. In 1992, Mr. and Mrs. Vaswani retained a tax
23 preparer to assist them with preparation of their individual tax
24 returns for 1991 and 1992 and corporate returns for Kala Nikitan,
25 Inc., for 1991 and 1992. On April 3, 1992, the Vaswani's
26 requested, by mail, that Respondent return all their financial
27 records, including the general ledger, within three days.

1 Respondent did not comply. On June 16, 1992, Ralph Sheldon, an
2 attorney retained by the Vaswanis, requested the return of their
3 records. Again, Respondent failed to comply. Respondent did not
4 return the records until November 24, 1992, when the Board
5 intervened.

6 12. As a result of the conduct described in
7 paragraph 11, respondent is subject to discipline under Title 16,
8 California Code of Regulations, Section 68, Retention of Client's
9 Records, in that he failed to respond to his client's numerous
10 requests for the return of records.

11 13. As a result of the conduct described in
12 paragraph 11, Respondent is subject to discipline under Business
13 and Professions Code, Section 5037(b), Ownership of Accountants'
14 Work Papers, in that he failed to respond to his client's
15 numerous requests for the return of client records.

16 WHEREFORE, complainant requests that a hearing be held
17 on the matters alleged herein, and that following said hearing, a
18 decision be issued:

19 1. Revoking or suspending Certificate Number 38312,
20 heretofore issued to Respondent Prakash Varshney;

21 2. Directing Respondent Prakash Varshney to pay to
22 the Board a reasonable sum for its investigative and enforcement
23 costs of this action, including attorney's fees; and
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